

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 FEA-01

PA-02 PRS-01 /119 W

----- 059162

R 051347Z JUN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 0083

INFO AMEMBASSY LONDON

USMISSION EC BRUSSELS

AMEMBASSY ALGIERS

AMEMBASSY JIDDA

UNCLAS PARIS 14416

E.O. 11652: N/A

TAGS: ENRG EAL FR

SUBJECT: PETROLEUM DEVELOPMENTS: PRICES, CONSUMPTION
DOWN, EXPLORATION UP.

1. FRENCH MINISTRY OF FINANCE HAS APPROVED REDUCTIONS IN
DOMESTICALLY MARKETING FUEL OIL PRICES WHICH WILL
LOWER EX-REFINERY PRICE OF REFINED PRODUCTS BY 15
FRANCS PER TON, OR APPROXIMATELY 50 CENTS PER BARREL.
AS WERE PRICE REDUCTIONS APPROVED IN APRIL, MEASURE IS
DESIGNED TO HELP CONTAIN INFLATION AND TO PASS ON
SAVINGS FROM REDUCED COST OF OIL IMPORTS DUE TO DECLINE
OF DOLLAR/FRANC EXCHANGE RATE. REDUCTION IS 7 PERCENT
FOR HEAVY FUELS (TO 320.65 FRANCS/TON), 2 PERCENT FOR
HOME HEATING OIL (TO 56.52 FRANCS/100 LITERS) AND 0.9
PERCENT FOR DIESEL OIL (TO 112 FRANCS/100 LITERS). NO
DECREASE ALLOWED FOR GASOLINE IN ORDER NOT TO ENCOURAGE
CONSUMPTION, WHICH REMAINS UNCOMFORTABLY BUOYANT.

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2. PETROLEUM PRODUCTS CONSUMPTION HAS CONTINUED TO DECLINE IN FIRST FOUR MONTHS OF YEAR, INCLUDING SIGNIFICANT DROP IN HEAVY FUEL OIL USE ATTRIBUTABLE TO INDUSTRIAL SLOWDOWN. OVERALL APPARENT CONSUMPTION (I.E., PRODUCTS DELIVERED TO CONSUMERS) DOWN 5.9 PERCENT BELOW 1974 LEVEL OF ALMOST 18 PERCENT FROM 1973 LEVELS. OF MAJOR PRODUCTS, HOME HEATING OIL CONTINUED TO SHOW GREATEST CONSUMPTION DROP (10 PERCENT BELOW 1974 LEVELS) DUE TO CONTINUED MODERATE WEATHER. HEAVY FUEL OIL DROPPED ONLY 2.5 PERCENT AS INCREASED USE FOR ELECTRIC GENERATION (UP 10.7 PERCENT) ALMOST OFFSET LOWER (10.3 PERCENT) INDUSTRIAL USE. GASOLINE CONSUMPTION ACTUALLY INCREASED 5.4 PERCENT OVER THE PERIOD (THOUGH IT IS STILL 0.3 PERCENT BELOW CORRESPONDING PERIOD OF 1973).

3. CRUDE OIL IMPORTS OVER JAN-APRIL PERIOD WERE DOWN 21.5 PERCENT OVER 1974 AND 25 PERCENT OVER 1973 LEVELS. SOME STOCK DRAWDOWN HAS TAKEN PLACE FROM ABNORMALLY HIGH LEVELS ATTAINED LAST WINTER, BUT REFINERY STOCKS ARE STILL REPORTED TO BE 1 MILLION TONS ABOVE MARCH 1974 LEVEL. SAUDI ARABIA HAS CONTINUED TO BE PRIMARY CRUDE OIL SUPPLIER, WITH 32 PERCENT OF ALL FRENCH IMPORTS, ALTHOUGH DELIVERIES HAVE DECREASED 7 PERCENT RELATIVE TO 1974. PURCHASES FROM IRAN HAVE INCREASED MARKEDLY (UP 240 PERCENT OVER CORRESPONDING PERIOD OF 1974) BUT ACCOUNT FOR ONLY 9 PERCENT OF FRANCE'S IMPORTS. ABU DHABI (DOWN 58 PERCENT) AND ALGERIA (DOWN 65 PERCENT) HAVE ABSORBED GREATEST PROPORTIONAL SHARE OF FRENCH IMPORT CUTS BECAUSE OF THEIR RELATIVELY HIGH COST. (THIS PARTLY EXPLAINS CURRENT FRENCH-ALGERIAN ROW ABOUT OIL BARTERED TO RENAULT BUT SUBSEQUENTLY SOLD IN UK, ALSO REPORTED ALGIERS 1265).

4. OIL EXPLORATION IN FRANCE WILL TAKE FIRST SIGNIFICANT QUALITATIVE JUMP IN NEXT WEEKS AS OFFSHORE DRILLING STARTS IN RECENTLY-AWARDED CELTIC SEA BLOCS, ONLY FRENCH AREAS IN WHICH PROSPECTS ARE AT ALL ENCOURAGING. AQUITAINE (AN ELF/ERAP SUBSIDIARY) WILL BE OPERATOR FOR GROUP WHICH IS 73 PERCENT FRENCH OWNED, UNCLASSIFIED

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WITH BP AND SHELL (BUT SO FAR NO AMERICAN) PARTICIPATION. FRENCH ENVISAGE 3-WELL DRILLING PROGRAM FOR THIS SUMMER, ALL IN WATERS OFFSHORE BRITTANY WHICH ARE NOT IN ZONE CONTESTED WITH UK (FINAL ADJUDICATION OF WHICH IS NOW BEFORE ARBITRATION PANEL). ONSHORE, THOUGH SEISMIC AND DRILLING ARE BOTH UP BY 20 PERCENT DURING PAST TWELVE MONTHS, THE FRENCH ENTERTAIN FEW HOPES FOR SUBSTANTIAL DISCOVERIES.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, IMPORTS, PRICES, EXPLORATORY DRILLING, ECONOMIC DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 05 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PARIS14416
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750197-0451
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750678/aaaacssi.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 20 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 FEB 2003 by PhilliR0>; APPROVED <29 JAN 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM DEVELOPMENTS: PRICES, CONSUMPTION DOWN, EXPLORATION UP.
TAGS: ENRG, EALR, FR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006